

AMENDED IN SENATE SEPTEMBER 9, 1997

AMENDED IN SENATE JULY 7, 1997

AMENDED IN ASSEMBLY JUNE 3, 1997

AMENDED IN ASSEMBLY MAY 15, 1997

AMENDED IN ASSEMBLY APRIL 1, 1997

CALIFORNIA LEGISLATURE—1997–98 REGULAR SESSION

## **ASSEMBLY BILL**

**No. 836**

**Introduced by Assembly Member Sweeney  
(Coauthors: Assembly Members Alquist, Aroner, Cardoza,  
Gallegos, Kuehl, Lempert, Papan, Perata, and Shelley)**

February 27, 1997

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An act to amend Section 7273 of the Revenue and Taxation Code, relating to taxation.

### LEGISLATIVE COUNSEL'S DIGEST

AB 836, as amended, Sweeney. Transactions and use taxes: administrative cost recovery.

The Transactions and Use Tax Law sets forth various limitations, requirements, and procedures with respect to the levy of a local transactions and use tax by a “district,” as defined, and requires that any tax that is so levied be administered by the State Board of Equalization pursuant to a contract between the board and the levying district. It also provides for the board’s recovery each fiscal year of its costs incurred in administering a local transactions and use tax.

This bill would limit the amount that may be charged by the board to a district for the administration of a local transactions and use tax for any fiscal year to a specified percentage of the total amount of revenue collected by the board pursuant to that transactions and use tax for that fiscal year.

*This bill would require the board to report on March 1, 1998, and January 1, 1999, to the budget committees of each house of the Legislature on the actions the board will take to adjust its costs commensurate with the reduced reimbursements provided by this bill.*

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 7273 of the Revenue and  
2 Taxation Code is amended to read:

3 7273. In addition to the amounts otherwise provided  
4 for preparatory costs, the board shall charge an amount  
5 for its services in administering the transactions and use  
6 tax determined by the board with the concurrence of the  
7 Department of Finance, as follows:

8 (a) Beginning with the 1993–94 fiscal year, the amount  
9 charged shall be based on the total special taxing  
10 jurisdiction costs reflected in the annual Budget Act. This  
11 amount comprises the categories of direct, shared, and  
12 central agency costs incurred by the board and shall  
13 include the following:

14 (1) The amount charged to each entity shall be based  
15 on the recommendations incorporated in the March 1992,  
16 report by the Auditor General entitled “The Board of  
17 Equalization Needs To Adjust Its Model For Setting  
18 Reimbursement Rates For Special Tax Jurisdictions.”

19 (2) The amount charged may be adjusted in the  
20 current fiscal year to reflect the difference between the  
21 board’s budgeted costs and any significant revised  
22 estimate of costs. Any adjustment shall be subject to  
23 budgetary controls included in the Budget Act. Prior to  
24 any adjustment, the Department of Finance shall notify  
25 the Chairperson of the Joint Legislative Budget

1 Committee not later than 30 days prior to the effective  
2 date of the adjustment.

3 (3) For the 1995–96 fiscal year and each fiscal year  
4 thereafter, the amount charged shall be adjusted to  
5 reflect the difference between the board’s recovered  
6 costs and the actual costs incurred by the board during  
7 the fiscal year two years prior.

8 (b) The board shall, by June 1 of each year, notify  
9 districts of the amount that it anticipates will be assessed  
10 for the next fiscal year. The districts shall be notified of the  
11 actual amounts that will be assessed within 30 days after  
12 enactment of the Budget Act for that fiscal year.

13 (c) The amount charged a transactions and use tax  
14 district that becomes operative during the fiscal year shall  
15 be estimated for that fiscal year based on that district’s  
16 proportionate share of direct, indirect, and shared costs.

17 (d) The amounts determined by subdivision (a) shall  
18 be deducted in equal amounts from the quarterly  
19 allocation of taxes collected by the board for a given  
20 district.

21 (e) For the 1998–99 fiscal year and each fiscal year  
22 thereafter, the amount charged to a district by the board  
23 shall not exceed the following percentages of the total  
24 transactions and use tax revenue collected by the board  
25 for that district for each fiscal year:

26 (1) For districts imposing a transactions and use tax of  
27 one-half of 1 percent or greater, the amount charged by  
28 the board shall not exceed ~~the following schedule:~~

29 ~~(A) For the 1998–99 fiscal year, 1.5 percent.~~

30 ~~(B) For the 1999–2000 fiscal year, 1.25 percent.~~

31 ~~(C) For the 2000–01 fiscal year and each fiscal year~~  
32 ~~thereafter, 1 percent. 1.5 percent, for the 1998–99 fiscal~~  
33 ~~year and each fiscal year thereafter.~~

34 (2) Beginning with the 1998–99 fiscal year and in each  
35 fiscal year thereafter, the amount charged to a district  
36 imposing a transactions and use tax of one-quarter of 1  
37 percent shall not exceed 3 percent ~~of the tax revenue~~  
38 ~~collected by the board for that district.~~

39 (3) Beginning with the 1998–99 fiscal year and in each  
40 fiscal year thereafter, the amount charged to a district

1 imposing a transactions and use tax of one-eighth of 1  
2 percent shall not exceed 5 percent ~~of the tax revenue~~  
3 ~~collected by the board for that district.~~

4 ~~(f) Reductions in revenue to the board arising from~~  
5 ~~subdivision (e) shall be absorbed by the board without~~  
6 ~~any offset from the General Fund.~~

7 *(f) The board shall report to the Chairperson of the*  
8 *Senate Committee on Budget and Fiscal Review and the*  
9 *Chairperson of the Assembly Committee on Budget by*  
10 *March 1, 1998, and January 1, 1999, on the actions the*  
11 *board will take to adjust its costs commensurate with the*  
12 *changes in reimbursements effected by this bill. The*  
13 *report shall analyze the impact of the reduced*  
14 *reimbursements on the board's budget and how the*  
15 *board's actions may impact its revenue-producing*  
16 *activities. The board may not reduce positions that are*  
17 *responsible for the generation or receipt of revenues,*  
18 *including, but not limited to, positions in the audits and*  
19 *compliance programs.*

